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Taiwan's Threat Perceptions: The Enemy Within

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Taiwan's Threat Perceptions: The Enemy Within

The People's Republic of China (PRC), which perpetually pressures Taiwan to negotiate unification on Beijing's terms, obviously dominates Taipei's strategic landscape. Few in Taiwan, however, expect the PRC to attempt to conquer the island through an overt military attack in the foreseeable future. This paper, based largely on interviews conducted with Taiwan officials and scholars in 2002, argues that the main security threats Taiwan's elites perceive do not involve direct military attack from across the Taiwan Strait. The threats Taiwan perceives stemming from China's hostility are principally political and economic rather than military. Furthermore, many of Taiwan's intelligentsia lament that due to internal weaknesses, Taiwan is not making its strongest possible preparation to withstand these challenges. While China's relative power is expected to grow, Taiwan is underachieving due to inability to settle several basic but difficult issues. These internal weaknesses--including vulnerability to Chinese psychological warfare, lack of consensus on the cross-Strait relationship, a defense structure that needs coherence and reform, and an economy that may lack the infrastructure necessary for continued prosperity--could indeed make Taiwan more vulnerable to a PRC attack in the future, but more importantly they call into question Taiwan's future political and economic vitality.

Outsiders may be surprised to learn that the danger of a PRC military attack is not at the top of Taiwan's list of short-term threats. To be sure, Taiwan's elites, especially high-ranking military officers and defense officials, do not believe Beijing has given up the possibility of actually using military force against Taiwan (as opposed to merely employing the threat of force to deter Taiwan from moving closer to formal independence, without intending to attack). Not surprisingly, the military brass tends to take the potential for military conflict seriously. These officers often complain that society as a whole underestimates the PRC military threat and naively believes "spending money" (i.e. investing in China and buying influence in the USA) will prevent China from attacking. Significantly, however, the consensus in Taiwan among both military and civilian analysts is that China is building a capability to exercise the military option in the future, although the Chinese leadership has not yet made the decision on whether or not to use force. (Some observers believe China has already made the decision to strike Taiwan when current preparations are complete.) Hence the view that Taiwan has more to worry from threats that are mainly internal.

Standing Up to PRC Pressure

Taiwan appears somewhat susceptible to demoralization. This is partly a function of structural or external forces over which the islanders have no control: Taiwan is small in size and geographically close to China. An important additional element, however, is how Taiwan's people react to these physical circumstances, and here one sees a manifestation of internal political weakness. As long as China continues to post robust economic growth and to keep its social, economic and political problems mostly under control, its potential for growth relative to Taiwan appears almost unlimited. Current trends lead many observers in Taiwan as well as abroad to conclude that within a decade China's capability to project military power will outstrip Taiwan's capacity to defend itself. In the meantime, of course, the PRC is expected to grow wealthier and more technologically advanced, all the while maintaining its determination to gain sovereignty over Taiwan. Time appears to be on China's side, creating opportunities for Beijing to foment defeatism in Taiwan. One high-ranking Taiwan official believes "the greatest threat we face is psychological warfare from the PRC."

If attempting to forcibly capture Taiwan through a military invasion is a daunting prospect for Beijing, psychological warfare offers the possibility of achieving success at a much lower cost. A psychological warfare campaign is premised on a buildup of powerful military capabilities and consistent expressions of willingness to use them. Beijing has done both of these, with frequent affirmations of its warning that "independence means war" along with deployments of hundreds of ballistic missiles opposite Taiwan and purchases of advanced Russian warplanes, destroyers and submarines. Having established its capability and willingness to attack Taiwan, Beijing has a range of coercive options that can play upon Taiwan's fear of an all-out military assault without actually resorting to this drastic, costly action. The missile tests of 1995-96, which had the effect of a temporary blockade and sparked capital flight and a decline in Taiwan's stock market, illustrated, one such option. Another would be to capture one of Taiwan's offshore islands and threaten further military action unless Taipei complied with Beijing's political demands.

The standing threat to launch a military attack if Taiwan declares independence indicates China has already used psychological warfare for years, with considerable success. There is little doubt that the fear of provoking a military reaction from Beijing is a major reason why most of Taiwan's people favor the status quo—no commitment now to either unification or formal independence. Beijing is already in a position to publicly restate its threats to use force against Taiwan whenever Taipei appears to take a step closer to independence. As China's military capabilities grow, the potential effectiveness of Beijing's psychological warfare grows as well.

China places considerable reliance on breaking Taiwan's spirit of resistance. Indeed, Beijing may overestimate the island's weakness in this regard. An internal PLA assessment reportedly concluded that Taiwan's population, long accustomed to a relatively high standard of living, would pressure Taipei for a negotiated surrender if their water and electricity were cut off for two days.¹ Hence the People's Liberation Army's (PLA) heavy deployment of short-range ballistic missiles to coerce Taiwan, despite the generally poor results of aerial bombing campaigns intended to break the morale of various civilian populations during the 20th century.

That said, it is not clear how high a price Taiwan is willing to pay to oppose China. Taiwan's people have generally resisted the sacrifices that go with a high degree of military readiness. Mandatory military service for young men is unpopular, and the government has already cut the length of service several times. Some high-ranking Taiwan military officers admit that the civilian population's willingness to fight is not beyond question. Opinion polls commonly indicate that a significant proportion of Taiwan's trained reservists would be reluctant to answer the call to arms in the event of a war with China.

Susceptibility to demoralization entails a tendency to overreact to perceived crises, making the enemy's task easier. For example, one analyst in Taiwan suggested China could wreak havoc on the island by dispatching "boat people," or economic refugees. A hundred boatloads would be sufficient, he said, to cause the same kind of capital flight and a downturn in the stock market that resulted from the missile exercises of 1995-96. This, too, would be essentially psychological warfare: creating a damaging panic by highlighting the frailty of Taiwan's prosperity in the shadow of a disapproving China, in this case via the soft weapon of a flood of poor Chinese who could quickly overwhelm Taiwan's social services networks and drain the island's economy. Even if the boat people came in small numbers, Taiwan would immediately understand that China could send more, drawing on a huge supply, and that Taiwan could not stop them all.

A House Divided

Taiwan remains ethnically divided and vulnerable to losing its social cohesion. The long-established Taiwanese (*benshengren*) community (mostly Fujianese, also known as Hoklos, and Hakkas) makes up about

80 percent of the island's population, while the postwar émigré Mainlanders (*waishengren*) comprise about 15 percent. Intermarriage and generational change give rise to hope that ethnic tensions will fade over the long term. In recent years, however, open appeals to ethnicity by politicians have become common. Ethnicity was a major issue in the 1998 mayoral contest between ethnic Taiwanese incumbent Chen Shui-bian and Mainlander challenger Ma Ying-jeou in Taipei, which has a relatively high concentration of Mainlander residents. Chen supporters were frustrated to see Ma gain the lion's share of the Mainlander vote despite favorable approval ratings for Chen's service as mayor. Ethnic appeals were also prominent during the 2000 presidential election, which Chen won, and the 2001 parliamentary election. After its candidate Lien Chan lost his bid for the presidency, the Kuomintang (KMT) became less accommodating to Taiwanese sensibilities. Former president Lee Teng-hui, who as an ethnic Taiwanese KMT leader had been a uniting force, called Taiwan's past Mainlander-dominated government an "alien regime" and was expelled from the party. Chen's presidency has intensified the ethnic divide. Aspects of Chen's program that emphasize Taiwan's distinctiveness from China trouble most Mainlanders. Politicians who favor Taiwan's eventual unification with China, sometimes termed the "Blue" camp, often cooperate to oppose Chen's wider domestic political agenda. Blue politicians have frequently traveled to China and even met with Chinese officials since the KMT slipped from ruling to opposition party, angering Taiwanese. At the same time, most Taiwan elites are dismayed over ethnic political mobilization and believe it is harmful to Taiwan. To their frustration, despite the gravity of the danger posed by a lack of social cohesion, a solution appears distant and uncertain.

The ethnic division leads directly to Taiwan's most profound internal political weakness, which is the failure thus far to reach a consensus on national identity. Taiwan's people remain divided on the basic issue of whether their motherland is Taiwan or China. "We have different people fighting for different countries," says one scholar. Each camp considers the other traitors who are "selling out the country," and in a sense both sides are correct when they hurl these charges. All political issues are subject to being dragged into this emotionally-charged context—"Which side do you love more, Taiwan or China?"²

Taiwanese commentators accuse Blue politicians who travel to China of conspiring with the enemy to weaken the Chen government's program and compare them to European leaders who collaborated with Nazi Germany in the 1930s.³ From the standpoint of most Mainlanders, however, Chen's gestures of support for a Taiwan nationhood distinct from that of China are inconsistent with the Republic of China constitution he is charged to uphold. The opposition Blue parties are disturbed by what they see as the Chen government's efforts to distance Taiwan from its Chinese heritage: the heightened promotion of aboriginal cultural, the much-publicized addition of the words "issued in Taiwan" to the cover of Taiwan passports, Chen's apparent reluctance to refer to Taiwan by its constitutional title of "Republic of China," and even challenges by some Democratic Progressive Party (DPP) politicians of the notion that Sun Yat-sen is the father of the country.

Chen's ascension to the presidency in 2000 and further gains by his DPP in the legislative elections of late 2001 have divided the government at the national level on the questions of Taiwan's identity and the island's political relationship with China. If the DPP's "Green" ideology, which sees Taiwan's ultimate destiny as an independent country, prevails in the executive branch, the Blue vision of Taiwan as a part of China dominates the officer corps of the armed forces. Taiwan's legislature is almost evenly divided between the Green parties (the DPP and the Taiwan Solidarity Union, or TSU) and the Blue parties (the KMT and People's First Party, or PFP). A few observers raised the possibility of a military coup d'état after Chen's election. Such speculation proved unfounded, but the upper ranks of Taiwan's military are clearly unhappy with Chen's support for Taiwan "following its own path" and deeply suspicious about his ultimate aims—much like their counterparts in the PLA. "We have condemned the promotion of Taiwanese independence by the DPP for several decades, but now they are our masters," said one army colonel.⁴ Following Chen's election, the military publicly stated its intention to continue "making opposition to Taiwanese independence a core component of [military] education."⁵ Not surprisingly, national defense policy-making is politicized. Foreign analysts closely

agree with many of their Taiwan counterparts that, for instance, criticism of the Chen administration's proposed U.S. weapons purchases is at least partly based on the desire to publicly embarrass Chen. The question of economic relations with China, as well, is highly politicized. Although the Blue parties generally favor increased cross-Straits economic interaction and the Green parties are more cautious, the opposition Blue politicians also tend to criticize the ruling government even when it moves to loosen the restrictions on trading with China. The phenomenon of politicians placing narrow partisanship ahead of national security is certainly not unique to Taiwan, but few other countries can less afford such risky behavior.

Despite the politicization of fundamental aspects of Taiwan's future, Taiwan's people largely agree on several important points. Most favor the status quo for the time being in the relationship between Taiwan and China, believe Beijing should accord Taiwan's government and people more respect, and want to settle the dispute with China peacefully while exploring opportunities for economic cooperation. This allows Taiwan to muddle through while the identity issue rests on the shelf. But without resolving this root issue, Taiwan's people and institutions will to some degree pull in different directions rather than combining their strength.

In Search of a Coherent Defense Strategy

Michael Ming-hsien Tsai, a former legislator and publisher of the journal *Taiwan Defense Affairs*, writes that "the responsibility of the military in a democratic society" includes "elaborating possible threat[s] that our enemy may pose, . . . let[ting] the public know what our response and preparation will be," and "persuad[ing] the public and their representatives that a reasonable causality between both exists."⁶ In the kind of ideal situation that Taiwan elites would aspire to, a rational debate conducted in public by defense experts would establish a set of basic strategic principles. Subsequent decisions and policies on doctrine, procurement, and the size, shape and posture of Taiwan's armed forces would then flow logically from these principles. This, however, has not occurred. There is little serious open discussion or debate about national security and defense strategy in Taiwan. Traditionally, such matters were the purview of the uniformed armed forces, and their discussions took place behind closed doors. High-ranking members of Taiwan's defense bureaucracy attest, however, that even among military planners, discussions aimed at establishing or reviewing the basic principles of Taiwan's national defense strategy are infrequent.

The content of Taiwan's 2002 Defense White Paper does not suggest otherwise. The paper is long on objectives: "maintain air superiority and naval dominance," "Establish an excellent and modernized military force to best perform the concept of 'effective deterrence, resolute defense,'" "Improve capabilities to react on emergency, make quick response and launch instant operations," "Force the enemy into a status of 'bewildering of uncertainty to win and heavy casualties' so as not to rashly invade Taiwan," and so on. But there is little in the way of strategic choices of how Taiwan can best employ its limited resources to protect itself in an environment that is severely constrained by international politics and geography as well as by the burgeoning economic and military capabilities of the PRC. Among the few specific strategies mentioned are these: (1) a commitment to pursuing measures that will build trust and confidence across the Strait; (2) a desire to cultivate stronger ties with the international community (which tends to undercut the first strategy); and (3) adhering to the guideline of "domestic built products as major consideration, foreign products as the supplement."⁷

Despite the emphasis on developing domestic defense industries, one additional strategy that has broad agreement among Taiwan elites is strengthening political and military ties to the United States, including buying U.S. military hardware. In addition to the strictly military capabilities they provide, U.S. arms sales to Taiwan obviously imply a political relationship—not only a willingness by America to support Taiwan against the PRC military threat, but also the package of consultation and training that accompanies the transfer of a modern weapons system. In Beijing's eyes, this brings America and Taiwan a closer to reviving their defunct military alliance.

Beyond this, however, many basic strategic questions appear unanswered. To begin with, should Taiwan's military be built and organized to fight alone or to hold on while awaiting U.S. intervention and then fight alongside the U.S. military? Officially, Taiwan's military is prepared to fight without outside help. Many Taiwan analysts maintain, however, that Taiwan cannot realistically hope to fight off a determined PRC attack independently and that the goal in an actual conflict would be to stave off Chinese forces until U.S. assistance arrived. Yet, in an additional twist, most high-ranking military officers in Taiwan are skeptical that the United States will send its armed forces to fight in defense of Taiwan. While they appreciate the Bush administration's expressions of support for Taiwan, they do not believe this is permanent, and hold that Washington could easily reverse this posture and sacrifice Taiwan's interests to improve U.S.-China relations, as has occurred in the past. Eventually, some say, China will probably surpass the United States in national strength, at which time it is unlikely American would continue to support Taiwan. "Our own military strength is our only guarantee of safety," as one officer put it. In contrast, the Chen administration's confidence that the United States will help defend Taiwan appears relatively high.

Taiwan obviously aims to deter a PRC resort to force, but has not settled on the best way to employ its own military resources to achieve this goal. The most fearsome Chinese weapons arrayed against Taiwan are the PLA's short-range ballistic missiles. There is presently no effective defense against them after they are launched. Alternatively, rather than try to directly defeat this PLA capability, Taiwan could seek to match it. A strong case could be made that a capacity to strike back at targets on the mainland in the event of a conflict with China would bolster Taiwan's ability to deter the Chinese from attacking. Under Taiwan's previous President Lee Teng-hui, the official name for the island's basic defense strategy changed from "strong defense, effective deterrence" to "effective deterrence, strong defense." This subtle change indicates a less passive approach. Chen and his advisors have spoken publicly of their interest in a forward defense capability or "jin wai jue zhan" (decisive war beyond the borders), possibly including strikes on Chinese cities. This tactic is controversial in Taiwan (and would probably be opposed by the United States). Taiwan's public generally supports building a capacity for punitive strikes on mainland targets that could be used in retaliation against PLA missile attacks on Taiwan. Many ethnic Mainlanders in Taiwan find the prospect of wreaking destruction on mainland China distasteful. Military officers also argue that a missile capability is a provocative step, that building such a system would divert funding from such missions as controlling the Taiwan Strait or the airspace above it, and that strategic escalation is a poor approach for Taiwan because China has superiority at the higher levels of force. Some of the opposition may reflect the persistence of the idea that the military's chief mission is fighting off an invasion at the beaches.

Without definitive answers to the basic strategic issues of national defense, Taiwan's defense planners have less guidance to resolve more practical policy questions. One of these practical areas is the acquisition of new weapons. The approval of a large "wish list" of American arms for sale to Taiwan, as occurred in April 2001, potentially creates a new problem: choosing which systems to buy. Budgetary limitations make it difficult if not impossible for Taipei to purchase everything on offer. A clear, coherent defense strategy would help prioritize the choices, tagging certain systems as immediate or essential needs and others as secondary. Absent this, Taiwan may end up buying and deploying incomplete pieces that serve several distinctly different strategies.

Reforming the Armed Forces

Defense Minister Tang Yao-ming has pledged to make Taiwan's armed forces "small, elite, and lethal." But because of deeply-entrenched interests, such changes are difficult. One obstacle to conceptual change within the armed forces is the reluctance of mid-level officers, who are relatively flexible and forward-thinking, to challenge their conservative superiors. Another problem is that the army has dominated Taiwan's armed forces since the remnants of the defeated Chiang Kai-shek government fled to the island in 1949. One of the

results is a force structure that is heavy in ground troops, tanks and artillery. The army is influential enough to put up a stiff fight against doctrinal changes that would reduce its own role or proportion of the defense budget. Changing the shape and character of Taiwan's military would be a tough undertaking even if Taiwan had a strong leader and single-party supremacy, as in the era before the DPP was legal. With a strong opposition in the legislature and a president of whom the officer corps is generally suspicious, the task will be much harder.

Certain administrative reforms would make Taiwan's armed forces more effective, improving their responsiveness to the national leadership and rationalizing their management and development decisions. There are two important impeti for military reform. First, "nationalizing" the armed forces and placing them more firmly under civilian control are part of the next stage of Taiwan's ongoing democratic evolution. During the KMT's heyday, the military had strong links with the ruling party and legislative oversight over the military's activities was limited. The process of dismantling this legacy is not yet complete. Second, the military could be more efficiently structured to achieve the goals stated in the White Paper, which center on defending Taiwan against attacks from a modernizing PLA and no longer include, as during the Cold War, defeating Chinese forces on the mainland to prepare the way for the re-establishment of the Republic of China (ROC) regime there. Although the Taiwan government officially dropped its commitment to re-conquer the mainland in 1991, ground forces still make up the bulk of the armed forces. Critics argue that Taiwan's military doctrine is out of date, with too much emphasis placed on fighting a land battle and not enough on preventing an enemy force from reaching Taiwan's shores. Moreover, Taiwan's armed forces are highly "stovepiped." Instead of a culture of "jointness" among the different services, each sees itself as responsible for a particular defensive mission: air superiority is the domain of the ROC Air Force, the ROC Navy takes on the task of sea denial, and the ROC Army focuses on defeating an enemy landing.⁸

Political idiosyncrasies, however, not only necessitate the reforms, but also impede them. It is widely accepted that President Chen wants to reform Taiwan's military, but has not pushed hard for reform during his first two years in office because he realizes the military is already highly suspicious of his party's agenda. For this same reason Chen has appointed military men to the post of minister of defense. The recently passed National Defense Law and Amendments to the Ministry of Defense Organic Law officially establish civilian control over the military. The problem, however, is not strictly legal, but also cultural.

Civilianization of the defense bureaucracy is a key part of this project. One editorialist recently complained that "there appears [sic] to be no civilian personnel in posts in Taiwan's Defense Department apart from typists and cashiers in the welfare office."⁹ The new legislation mandates that by late 2004, one-third of the staff of the Ministry of Defense, which numbers over 600, must be civilians. This plan, however, is controversial. Some military officers believe civilians lack sufficient understanding of defense issues and therefore should not be given responsibility for defense planning and administration. The military has a history of excluding civilians from national security policy-making. Taiwan's National Defense University, for example, does not allow civilian students to matriculate. As a result, few civilians have defense-related analytical and management skills or extensive personal relationships with the high-ranking military leadership. Finding over 200 civilians qualified to plan and manage national security affairs is therefore a daunting challenge. Since defense planning has a unique culture and environment, experienced civil servants in other agencies tend to view the prospect of transferring to the MND as risky and therefore unattractive. Defense experts outside the government are deterred by the requirement that they pass the very difficult civil service examination. In the near term, until Taiwan produces a new generation of young civil servants trained in defense-related issues, the MND will have to rely heavily on retired military officers to meet its quota of civilians. This temporary solution fails to achieve the spirit of the mandated reform, which aims to break up the military's domination of defense planning by injecting the bureaucracy with a civilian viewpoint. This problem is not unique to the Chen Administration; a Blue party regime would have similar difficulty finding a large number of qualified civilians defense experts.

A symptom of the problem is the hope expressed by some Taiwan analysts that the U.S. pressure will force Taipei to push through military reform. By approving the sale of certain weapon systems, for example, Washington can promote changes necessary to integrate those weapons into Taiwan's armed forces. This wish betrays not only a recognition that reform is necessary, but also a lack of confidence in Taipei's ability to make the needed reforms unaided.

The Economic Challenge

Many Taiwan officials and scholars fear that Taiwan's era of robust economic growth, during which the island was classed with the "Asian tigers" that rose quickly from postwar poverty to living standards comparable with those in the industrialized countries, may be coming to an end. With Taiwan in a serious recession, a certain degree of economic pessimism is expected. Many Taiwan elites, however, express concerns about structural, longer-term economic weakness beyond the expected recovery from the present recession. Taiwan, they say, is at risk of losing its international competitiveness. Much of Taiwan's assessment of the future is based on the economic challenge posed by China. The island has long enjoyed a qualitative edge over China's relatively less developed economy. But the combination of a vast range of economic activities and a rapid rate of development fuels the expectation that China's firms will soon outperform foreign competitors in a variety of sectors, including those in which Taiwan presently excels. Many Taiwan industries have already moved to the mainland to take advantage of cheaper labor and overhead costs. This migration of Taiwan's economy to China might reach dangerous levels unless Taiwan's economy is restructured.

Economic weakness has obvious negative implications for Taiwan's security. A less prosperous Taiwan is less able to support a strong military force, either through indigenous development and production or purchases from abroad. An economically weak Taiwan has less bargaining leverage with Beijing. If Taiwan was economically marginalized, Taiwan elites fear, the international community would be less likely to support Taiwan in the event of military pressure or attack from China. As one analyst said, "Saudi Arabia has oil. Japan makes computer chips. If an attack on Taiwan would not have a great impact on the world economy, the world would be less responsive."

Taiwan's cumulative investment in China is between \$50 billion (Taipei's official figure) and \$100 billion (a common unofficial estimate, recognizing that much investment is unreported). Cross-Strait trade and investment will grow. Taipei has steadily reduced the restrictions on Taiwan investment in China and moved toward establishing the "three links" of direct trade, transportation and postal services between Taiwan and the mainland. The challenge for Taiwan's government is to manage the relationship in ways that best protect Taiwan's long-term economic and political security.

Beside the economic danger of a hollowing-out of Taiwan's economic strength, there is the political danger that after cultivating Taiwan's economic dependence on China, Beijing will use this leverage to force Taiwan to negotiate unification on terms favorable to the PRC. Unquestionably, the PRC has consistently promoted closer economic ties between the mainland and Taiwan based on the belief that this will help bridge the political gulf. In his recent warning against Taiwan deepening its economic links with the mainland, Lee Teng-hui correctly noted that Beijing hopes trade and investment will help China "to annex Taiwan without mobilizing its forces."¹⁰ Another danger is that Taiwan citizens residing and being educated in China will become more sympathetic to China's viewpoints on cross-Strait political issues. Many in Taiwan already fear the mainland is attempting to use business people returning from China to influence Taipei toward accepting Beijing's terms for negotiations. Cross-Strait marriages, resulting in more PRC-raised Chinese gaining the right of permanent residency in Taiwan, pose a similar risk.

Heavy Taiwan trade with and investment in China need not necessarily undermine Taiwan's security if managed properly. Taiwan's economy would not be hollowed out if the island managed to maintain its technological lead over China by concentrating resources in a manageable number of high-tech industries in which Taiwan proves internationally competitive. Taiwan would thereby keep the upper position in a vertical division of labor while shedding its sunset industries. Targeting the PRC provinces closest to Taiwan (Fujian, Guangdong and Zhejiang) for Taiwan investment might help make them less supportive of a belligerent approach toward Taipei, since these provinces would stand to lose the most from a cross-Straits conflict. The attitude of these provincial governments is important because these would be the key staging areas for a military campaign against Taiwan. Taiwan firms could enjoy booming business in China if allowed full opportunities to conduct market research in China, for which privilege Taipei could lobby. While there are possible political pitfalls to closer cross-Straits economic relations, it is not a simple matter for China to use Taiwan firms located in China as hostages or bargaining chips with which to manipulate political relations with Taipei. Many of these Taiwan businesses have foreign partners, which means any action by the Chinese government would automatically risk damaging China's relations with additional countries.

Many analysts in Taiwan doubt, however, that their government can effectively oversee domestic economic restructuring and overseas trade policy so that Taiwan retains its accustomed position in the global economy. They note that Taiwan's current success in the semiconductor industry is unlikely to continue indefinitely, particularly with China's emergence as a potential competitor. The appropriate course of action for the government is to select and promote two or three areas in which Taiwan has a comparative advantage. But while the government has expressed interest in such industries as biotechnology and nanotechnology, these analysts complain that up to now the leadership has been indecisive and continues to spread its resources too thin.

Taiwan's economic relationship with China offers both risks and opportunities. If it is not yet clear whether the potential for harm to Taiwan outweighs the potential benefit, it is certain that Taiwan's future prosperity relies heavily on the quality of policy-making in the near term. What is most relevant here, then, is that Taiwan's policy governing economic relations with the mainland does not appear integrated into a larger national security strategy that coordinates economic, military and other policies. Instead, pressure from the business community has driven changes in Taipei's cross-Straits economic policy. Many of Chen's Taiwanese constituents are businesspeople. One of the most striking of Taiwan's many political contradictions is the large number of Taiwanese who are at once "Taiwan first" and in favor of the three links.

Conclusions

China is unquestionably Taiwan's biggest external security problem, but ultimately much of Taiwan's insecurity stems from sources within Taiwan itself. Internal political disunity is a potential peril that some analysts in Taiwan rank as a greater danger than PRC missiles. Although widely considered to have achieved and institutionalized democracy, Taiwan in some instances lacks a mature democracy's capacity for serious, rational debate on important questions. Without wise and decisive leadership in its economic development and cross-Straits economic policy, Taiwan may lose its economic momentum. Taiwan's defense strategy exhibits parts of different approaches rather than a coherent, underlying logic linking bedrock assumptions with principles, doctrine and force structure. The ultimate goal is undefined: is China the enemy or the mother country? With this question unanswered, a totally coherent grand strategy is perhaps impossible.

Taiwan's political and economic weaknesses are to some extent interrelated. The lack of a coherent grand security strategy means domestic policy, defense policy and cross-Straits economic policy are not necessarily coordinated. The internal strife that results from some of Chen's attempts to raise his standing with

a domestic audience makes Taiwan less attractive to foreign investors, undercutting a separate but equally important objective of his government.

The more optimistic among Taiwan's intelligentsia point out that the island is still adjusting to the regime change that took place only as recently as 2000-2001 (with Chen's presidential victory and the DPP becoming the largest party in the legislature) after a long period of KMT domination. They expect that as the new ruling party and the opposition gain experience in their new roles, and as public opinion pressures them to reach constructive solutions, Taiwan's political system will develop a smoother, more rational policy-making process.

For many, however, the future most likely holds economic decline and continued political disunity, weakening Taiwan's ability to withstand Chinese pressure on a variety of fronts.

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